

Annual Financial Statements
for the year ended 30 June 2014

UMKHANYAKUDE DISTRICT MUNICIPALITY



UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

General Information

Executive Committee	Cllr Vilane SJ (Mayor)
Councillors	Cllr Swartz CG (Deputy Mayor)
Councillors	Cllr Mavimbela HGS (Speaker) - Ex Officio
Councillors	Cllr Nxumalo SH (Exco Member)
Councillors	Cllr Moodley GP (Exco Member)
Councillors	Cllr Zungu MC (Exco Member)
Councillors	Cllr Gumbl DL
Councillors	Cllr Hlabisa VF
Councillors	Cllr Khumalo LV
Councillors	Cllr Khumalo SR
Councillors	Cllr Langa ML
Councillors	Cllr Mabika MS (Resigned)
Councillors	Cllr Mathenjwa M
Councillors	Cllr Mathonsi ZW
Councillors	Cllr Mdaka SF
Councillors	Cllr Mkhombo S (Appointed)
Councillors	Cllr Mkwanazi LX
Councillors	Cllr Mngomezulu BZ
Councillors	Cllr Mithethwa B
Councillors	Cllr Mithethwa SP
Councillors	Cllr Mithethwa TP
Councillors	Cllr Msane S
Councillors	Cllr Msweli MCF
Councillors	Cllr Ngema TN
Councillors	Cllr Nsele (Appointed)
Councillors	Cllr Nxumalo MW
Councillors	Cllr Nyawo I F (Appointed)
Councillors	Cllr Nyawo ZE
Councillors	Cllr Sangweni MB
Councillors	Cllr Tembe BT (Resigned)
Councillors	Cllr Zikhali AT
Chief Financial Officer (CFO)	Diamini M S
Accounting Officer	Mzimela E M (01 April to date)
Diamini M S (01 October 2013 to 31 March 2014)	Dubazana S N (01 July 2013 to September 2013)
Business address	Harlingen No. 13433
Business address	Kingfisher Road
Business address	Mkuze
Business address	3965
Postal address	P.O. Box 449
Postal address	Mkuze
Bankers	ABSA - Investment
Bankers	First National Bank - Current & Investment
Bankers	Nedbank - Investment
Bankers	Ithala Bank - Savings

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General Information

Auditors

Auditor-General South Africa

Legal Advisor

Zungu S

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The reports and statements set out below comprise the Annual Financial Statements presented to the Council and the Provincial Legislature:

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Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
DC27	Umkhanyakude District Municipality
FMG	Financial Management Grant
EPWP	Extended Public Works Programme
MSIG	Municipal Systems Infrastructure Grant
IMFO	Institute of Municipal Finance Officers
SALGA	South African Local Government Association
DORA	Division of Revenue Act
VAT	Value-Added Tax
GEPF	Government Employee Pension Fund
COGTA	Department of Co-operative Governance & Traditional Affairs
SCM	Supply Chain Management

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets systems for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The systems include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal financial control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 31 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the government grant allocations through Division of Revenue Act (DORA) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that Umkhanyakude District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Accounting Officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on pages 7 to 58, which have been prepared on the going concern basis, were approved by Council on 29 August 2014 and were signed on its behalf by:

Municipal Manager



UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rands	Note(s)	2014	2013 Restated*
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ASSETS			
Current Assets			
Inventories	2	86 841 625	42 920 312
Receivables from exchange transactions	3	13 570 787	14 037 124
Other receivables from exchange transactions	4	2 604 650	52 162 283
VAT receivable	5	28 012 670	25 113 016
Cash and cash equivalents	6	11 378 076	141 756 771
		142 307 808	275 989 506
Non-Current Assets			
Property, plant and equipment	7	1 474 995 592	1 241 566 559
Intangible assets	8	327 357	29 626
		1 617 630 757	1 517 585 691
		1 475 322 949	1 241 596 185
Total Assets		1 617 630 757	1 517 585 691
LIABILITIES			
Current Liabilities			
Other current financial liabilities	9	9 682 103	1 787 596
Trade and other payables from exchange transactions	10	121 894 507	75 003 467
Consumer deposits	11	1 862 046	2 498 666
Unspent conditional grants and receipts	12	21 851 006	77 201 965
Non - current provisions	13	109 013	210 326
Current portion of borrowings	14	1 557 241	821 476
Current portion of finance lease liability	15	458 832	220 230
		157 414 750	157 743 726
Non-Current Liabilities			
Non - current provisions	13	4 079 987	3 259 674
Non - current borrowings	14	8 180 507	9 732 083
Non-current finance lease liability	15	425 193	172 771
		12 685 687	13 164 528
Total Liabilities		170 100 437	170 908 254
NET ASSETS		1 447 530 320	1 346 677 437
Accumulated surplus	46	1 447 530 320	1 346 677 437

* See Note 33

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rands		Note(s)	2014	2013 Restated*
Revenue				
Revenue from exchange transactions		16	43 573 187	41 939 959
Service charges		18	106 871	103 940
Rental of facilities and equipment		19	6 708 719	12 524 641
Interest received - investment & current bank accounts		20	4 462 481	1 538 146
Interest received - outstanding receivables		21	2 035 531	679 842
Other income				
Revenue from non-exchange transactions				
Government grants & subsidies		17	514 225 333	450 554 429
Total revenue			<u>571 112 122</u>	<u>507 340 957</u>
Expenditure				
Employee Related Costs		22	(109 914 639)	(70 538 249)
Bad Debts		23	(21 105 575)	-
Remuneration of Councilors		24	(6 953 469)	(6 243 791)
Depreciation and Amortisation		25	(28 109 220)	(21 016 200)
Impairment loss/ Reversal of Impairments		26	(15 371 559)	(34 953 792)
Finance Costs		27	(977 908)	(1 065 933)
Repairs and Maintenance		28	(36 270 006)	(21 799 371)
Bulk Purchases		29	(77 569 516)	(76 267 575)
Contracted Services		30	(34 368 877)	(7 576 847)
General Expenses		31	(139 618 456)	(88 786 088)
Total expenditure			<u>(470 259 225)</u>	<u>(328 247 846)</u>
Operating surplus			<u>100 852 897</u>	<u>179 093 111</u>
Surplus for the year			<u>100 852 897</u>	<u>179 093 111</u>

* See Note 33

UMKHANYAKUDE DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand		
Total net assets	Accumulated surplus	
1 263 511 606	1 263 511 606	Opening balance as previously reported
(38 991 555)	(38 991 555)	Adjustments
		Correction of prior period errors (refer to note 33)
1 224 520 051	1 224 520 051	Balance at 01 July 2012 as restated*
179 093 111	179 093 111	Changes in net assets
(56 935 725)	(56 935 725)	Surplus for the 12 months
		Correction of prior period errors (refer to note 33)
122 157 386	122 157 386	Total changes
1 346 677 423	1 346 677 423	Restated* Balance at 01 July 2013
100 852 897	100 852 897	Changes in net assets
		Surplus for the year
100 852 897	100 852 897	Total changes
1 447 530 320	1 447 530 320	Balance at 30 June 2014

* See Note 33

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rands		Note(s)	2014	2013 Restated*
Cash flows from operating activities				
Receipts				
Sale of goods and services	43 573 187		41 939 959	430 790 043
Grants	459 773 991		430 790 043	12 524 641
Interest income	2 203 647		796 160	103 940
Other receipts	796 160		506 346 985	485 358 583
Payments				
Employee costs	(108 215 481)		(55 093 133)	(78 290 534)
Suppliers	(277 786 819)		(977 908)	(1 065 933)
Finance costs	(977 908)		-	-
Interest paid	-		(386 980 208)	(134 449 600)
Net cash flows from operating activities	119 366 777	32	350 908 983	(191 908 262)
Cash flows from investing activities				
Purchase of property, plant and equipment	(262 275 158)	7	(191 908 262)	-
Proceeds from sale of property, plant and equipment	835 404	7	-	-
Purchase of other intangible assets	(397 523)	8	-	-
Net cash flows from investing activities	(261 837 277)		(191 908 262)	(191 908 262)
Cash flows from financing activities				
Repayment of other current financial liabilities	7 894 507		8 384 684	(843 974)
Movement in non-current borrowings	(815 811)		(274 932)	-
Movement in non-current finance lease liability	252 422		238 602	-
Movement in receivables from non-exchange transactions	-		4 522 085	-
Interest income	4 522 085		12 091 806	10 374 518
Net cash flows from financing activities	12 091 806		10 374 518	64 252 800
Net (decrease)/increase in cash and cash equivalents	(130 378 695)		141 756 771	77 503 971
Cash and cash equivalents at the beginning of the year	141 756 771		11 378 076	141 756 771
Cash and cash equivalents at the end of the year	11 378 076	6		

* See Note 33

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Figures in Rand						
Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	42 434 000	-	42 434 000	43 573 187	1 139 187	Explanations of variances refer to Appendix E1.
Rental of facilities and equipment	165 000	(35 000)	130 000	106 871	(23 129)	Explanations of variances refer to Appendix E1.
Interest received - Outstanding Debtors	-	-	-	4 462 481	4 462 481	Explanations of variances refer to Appendix E1.
Other income	36 270 000	9 745 000	46 015 000	2 035 531	(43 979 469)	Explanations of variances refer to Appendix E1.
Interest received - Investment	12 870 000	(2 870 000)	10 000 000	6 708 719	(3 291 281)	Explanations of variances refer to Appendix E1.
Total revenue from exchange transactions	91 739 000	6 840 000	98 579 000	56 886 789	(41 692 211)	
Revenue from non-exchange transactions						
Government grants & subsidies	218 530 000	250 000	218 780 000	514 225 333	295 445 333	Explanations of variances refer to Appendix E1.
Total revenue	310 269 000	7 090 000	317 359 000	571 112 122	253 753 122	
Expenditure						
Employee Related Costs	(118 630 000)	11 181 000	(107 449 000)	(109 914 639)	(2 465 639)	Explanations of variances refer to Appendix E1.
Remuneration of councillors	(10 354 000)	(552 000)	(10 906 000)	(6 953 469)	3 952 531	Explanations of variances refer to Appendix E1.
Depreciation and amortisation	(33 414 000)	(2 000 000)	(35 414 000)	(28 109 220)	7 304 780	Explanations of variances refer to Appendix E1.
Debt Impairments	(18 557 000)	(2 109 000)	(20 666 000)	(15 371 559)	5 294 441	Explanations of variances refer to Appendix E1.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Comments	
Figures in Rand						
Finance costs	-	-	(977 908)	(977 908)	Explanations of variances refer to Appendix E1.	
Debt impairment	-	-	(21 105 575)	(21 105 575)	Explanations of variances refer to Appendix E1.	
Repairs and maintenance	(26 032 000)	(3 523 000)	(29 555 000)	(36 270 006)	Explanations of variances refer to Appendix E1.	
Bulk purchases	(51 449 000)	(2 066 000)	(53 515 000)	(77 569 516)	Explanations of variances refer to Appendix E1.	
Contracted Services	(21 660 000)	(3 291 000)	(24 951 000)	(34 368 877)	Explanations of variances refer to Appendix E1.	
Grants and Subsidies Paid	(3 169 000)	(8 867 000)	(12 036 000)	-	Explanations of variances refer to Appendix E1.	
General Expenses	(27 004 000)	(28 576 000)	(55 580 000)	(139 618 456)	Explanations of variances refer to Appendix E1.	
Total expenditure	(310 269 000)	(39 803 000)	(350 072 000)	(470 259 225)	(120 187 225)	
(Surplus)/Deficit	-	(32 713 000)	(32 713 000)	100 852 897	133 565 897	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(32 713 000)	(32 713 000)	100 852 897	133 565 897	

UMKHANYAKUDE DISTRICT MUNICIPALITY

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between budget and actual	Comments	Figures in Rand
Capital expenditure for the year ended 30 June 2014						
241 505 000	71 321 000	312 826 000	263 819 189	(49 006 811)	Projects still committed and rolled over to the next year.	Capital Expenditure
241 505 000	71 321 000	312 826 000	263 819 189	(49 006 811)		NET ASSETS

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 5	Borrowing costs
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 17	Property, plant and equipment
GRAP 19	Provisions, contingent liabilities and contingent assets
GRAP 21	Impairment of non cash generating assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of budget information in financial statements
GRAP 26	Impairment of cash-generating assets
GRAP 104	Financial instruments
GRAP 102	Intangible Assets

The accounting policies applied are consistent with those used to present the previous year's annual financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

At the date of authorisation of these Annual Financial Statements, the following standards and interpretations were in issue but not yet effective and have not been nearly adopted by the Municipality:

Standard of GRAP

GRAP 18	Segment Reporting	None	Qualitative
GRAP 20	Related party Disclosures	None	Impact
GRAP 25	Employee Benefits	None	Qualitative
GRAP 27	Agriculture	None	Impact
GRAP 31	Intangible Assets	None	Quantitative
GRAP 32	Service Concession Arrangements: Grantor	None	Impact
GRAP 105	Transfers of functions between entities under common control	None	Quantitative
GRAP 106	Transfer of functions between entities not under common control	None	Impact
GRAP 107	Mergers	None	Quantitative
GRAP 108	Statutory Receivables	None	Impact
IGRAP 1	Applying the Probability Test on Initial Recognition	None	Quantitative
IGRAP 16	Website Costs	None	Impact

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

Accounting Policies

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management may be required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of assets.
Provision for long service awards.
Useful lives and residual values of property, plant, and equipment.
Water and electricity losses.
Impairment of assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.4 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land shall be recorded in the municipality's fixed asset register at its carried at cost

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	25 – 50
Electricity	25 – 55
Water	25 – 60
Sewerage	30
Community	20
Buildings	5
Airport	30
Security measures	20
Intangible Assets	5
Computer software	3 – 5
Other Assets	15
Emergency equipment	7 – 10
Furniture and fittings	5
Computer equipment	7 – 10
Motor vehicles	2 – 10
Plant and equipment	5
Office equipment	3 – 5
Office machines	5
Telecommunication	5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.5 Intangible assets

Intangible assets are initially recognised at cost.

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Accounting Policies

1.6 Financial Instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Capital Expenditure

Capital Expenditure are initially measured at cost except where capital expenditure are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently capital expenditure are measured at the lower of cost and net realisable value.

Capital Expenditure are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of capital expenditure comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the capital expenditure to their present location and condition.

The cost of capital expenditure of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Accounting Policies

1.8 Capital Expenditure (continued)

The cost of capital expenditure is assigned using the weighted average cost formula. The same cost formula is used for all capital expenditure having a similar nature and use to the municipality.

When capital expenditure are sold, the carrying amounts of those capital expenditure are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of capital expenditure to net realisable value or current replacement cost and all losses of capital expenditure are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of capital expenditure, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of capital expenditure recognised as an expense in the period in which the reversal occurs.

As at 30 June 2014 the municipality have inventory comprised of materials (i.e. water pipes not underground as yet), and water (i.e. quantity of water on hand as at 30 June 2014).

1.9 Impairment of assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Accounting Policies

1.11 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Pension Obligations

Umkhanyakude District Council and its employees contribute to the Natal Joint Municipal Pension Fund, KwaZulu-Natal Joint Municipal Provident Fund and GEPF which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pension Fund Act, 1956 Current contributions are charged against operating income on the basis of current service costs.

1.12 Provisions, contingencies and commitments

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Contingent assets and contingent liabilities are not recognised.

Accounting Policies

1.12 Provisions, contingencies and commitments (continued)

Contingencies are disclosed in note 40.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Commitment is referred to as the intention to commit to an outflow from the municipality's resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. A municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remits grants on a re-imbursment basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Accounting Policies

1.20 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.24 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01 July 2013 to 30 June 2014.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.26 Changes accounting estimates and judgements

The municipality makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.26.1 Assets Useful Lives

Plant and equipment is depreciated over its useful life. The actual useful lives of the assets are assessed annually and vary depending on a number of factors. In reassessing the assets' useful lives, factors such as technological innovation and maintenance programmes are taken into account.

1.27 Presentation of currency

These annual financial statements are presented in South African Rand.

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

	2014	2013
2. Inventories		
Materials	86 736 472	42 857 798
Water	105 153	62 514
	86 841 625	42 920 312
3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Electricity	2 812 135	2 629 037
Water	147 479 800	134 393 306
Sewerage	9 236 273	8 007 385
	159 528 208	145 029 728
Less: Allowance for impairment		
Electricity	(2 559 252)	(1 787 468)
Water	(140 411 354)	(126 682 140)
Sewerage	(8 392 603)	(7 522 042)
	(151 363 209)	(135 991 650)
Net balance		
Electricity	252 883	841 569
Water	7 068 446	7 711 166
Sewerage	843 670	485 343
Debtors Prepayments	5 405 788	4 999 046
	13 570 787	14 037 124
Electricity, Water and Sewerage: Ageing		
Current (0 - 30 days)	2 341 488	(2 735 823)
31 - 60 days	5 344 529	2 733 941
61 - 90 days	6 086 495	2 396 802
91 - 120 days	3 496 196	2 424 174
121+ days	141 809 502	140 210 634
	159 078 210	145 029 728
Electricity		
Current (0 - 30 days)	245 642	239 988
31 - 60 days	77 632	75 845
61 - 90 days	77 771	75 981
91 - 120 days	39 196	38 294
121+ days	2 371 894	2 198 929
	2 812 135	2 629 037
Water		
Current (0 - 30 days)	950 076	(2 573 725)
31 - 60 days	5 198 598	2 591 369
61 - 90 days	5 943 553	2 257 150
91 - 120 days	3 391 118	2 321 513
121+ days	131 546 457	129 796 998
	147 029 802	134 393 306

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

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Figures in Rand

2014	2013
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3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Sewerage		
Current (0 - 30 days)	411 559	(402 086)
31 - 60 days	68 299	66 727
61 - 90 days	65 171	63 671
91 - 120 days	65 882	64 366
121+ days	8 625 362	8 214 708
	9 236 273	8 007 386

UMKHANYAKUDE DISTRICT MUNICIPALITY

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3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Summary of debtors by customer classification

Consumers		
Current (0 - 30 days)	402 660	2 720 391
31 - 60 days	2 720 391	2 749 384
61 - 90 days	1 623 174	1 640 473
91 - 120 days	1 541 191	1 557 616
121+ days	124 647 993	111 020 000
	<u>1 309 354 009</u>	<u>1 173 374 424</u>
Less: Allowance for impairment	(130 589 301)	(116 075 013)
	<u>346 108</u>	<u>1 299 411</u>

Industrial/ commercial		
Current (0 - 30 days)	(465 851)	1 566 808
31 - 60 days	1 566 808	1 583 506
61 - 90 days	338 420	342 027
91 - 120 days	257 021	259 760
121+ days	19 934 780	20 147 236
	<u>21 631 178</u>	<u>21 861 713</u>
Less: Allowance for impairment	(20 773 908)	(19 916 637)
	<u>857 270</u>	<u>1 945 076</u>

National and provincial government		
Current (0 - 30 days)	326 946	1 309 942
31 - 60 days	1 309 942	409 934
61 - 90 days	600 398	606 797
91 - 120 days	3 864 403	8 778 062
121+ days		
	<u>6 511 623</u>	<u>10 792 635</u>

Total Debtors		
Current (0 - 30 days)	2 341 488	5 344 529
31 - 60 days	5 344 529	6 086 495
61 - 90 days	6 086 495	3 496 196
91 - 120 days	141 809 502	139 945 299
121+ days		
	<u>159 078 210</u>	<u>150 028 774</u>

Less: Allowance for impairment		
Current (0 - 30 days)	(1 999 763)	(2 291 979)
31 - 60 days	(2 162 195)	(2 478 146)
61 - 90 days	(1 895 553)	(2 172 550)
91 - 120 days	(3 496 196)	(129 048 975)
121+ days	(141 809 502)	(135 991 650)
	<u>(151 363 209)</u>	<u>(135 991 650)</u>

Total		
Current (0 - 30 days)	341 725	3 857 242
31 - 60 days	3 182 334	10 179 882
61 - 90 days	4 190 934	-
	<u>7 714 993</u>	<u>14 037 124</u>

UMKHANYAKUDE DISTRICT MUNICIPALITY

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3. TRADE & OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Consumer debtors past due but not impaired

Reconciliation of allowance for impairment	135 991 650	151 363 210
Balance at beginning of the year	124 907 693	135 991 650
Contributions to allowance	28 422 206	31 083 436
Debt impairment written off against allowance	(17 338 249)	(15 711 876)
	135 991 650	151 363 210

Consumer debtors which are less than 3 months past due (2014: 1 month past due (2013) are not considered to be impaired. At 30 June 2014, R 7 714 993 (2013: R 10 179 882) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	341 725	4 190 934
2 months past due	3 182 334	4 190 934
3 months past due	10 179 882	-

Consumer debtors impaired

As of 30 June 2014, consumer debtors of R 159 078 210 - (2013: R 150 028 774) were impaired and provided for. The amount of the provision was R 151 363 210 as of 30 June 2014 (2013: R 135 991 650).

4. Loan to Umhlabyalingana

Avis loan - Mthombeni LM	242 792	2 504 650
Debtor Fraud	3 805 917	2 730
Debtor Shemula	2 730	-
Housing loans	-	-
Loan to Umhlabyalingana	108 762	1 553 317
Oclwane Water	1 553 317	1 222 797
Other Debtors	2 999 943	9 248 682
Pre - Paid Expense	51 735 370	1 166 289
Public contributions and subsidies	1 166 289	4 022 951
Sundry Debtors - Water Mluba	345 633	69 939
Sundry Debtors - Umhlathuze Water	4 022 951	69 939
Vehicle loans	69 939	69 939
Provision for Bad Debts	(13 891 360)	(19 285 059)
	52 162 283	2 504 650

Concessionary Loans

Vehicle Loan

A vehicle was bought by the municipality on behalf of a councillor. The agreement was the instalment would be deducted on the salary. Mr Sibanda failed to settle the balance of R69 939.34 that is still reflecting in the municipality's financial statements.

Avis Loan LM Mthombeni

A vehicle was bought by the municipality on behalf of a councillor. The agreement was the instalment would be deducted on the salary. Mr LM Mthombeni failed to settle the balance of R242 792 that is still reflecting in the municipality's financial statements.

Other Loan Disclosure

Loan to Umhlabyalingana

UMKHANYAKUDE DISTRICT MUNICIPALITY

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4. Loan to Umhlabyayalingana (continued)

The loan was granted by the UMkhanyakude council to UMhlabyayalingana Local Municipality under the local authorities loan fund act, 1984 act no 67 of 1984. This was granted for the period of two years starting on the 02/12/2009 to the 30/11/2011. The loan was granted for the purpose of re-instatement of Disaster services contract. The capital portion of the loan from time to time will bear interest at the prime bank rate. The balance of R 108 672 disclosed in the financial statement of UMkhanyakude is the interest portion that has been carried forward for the past five years where as the capital portion was settled at prescribed period of time.

5. VAT receivable

VAT	28 012 670	25 113 016
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VAT claimed to SARS is on payments basis. Amount claimable to SARS is disclosed in the VAT control account where the VAT 201s and VAT refunds are offset and the amount due or payable to SARS is disclosed.

VAT Input Accrual represents VAT that is receivable that accrued during the period and is transferred to the VAT control account once a VAT 201 is raised and submitted to SARS. VAT Output Accrual represents VAT payable accrued during the period and is transferred to the VAT control account once a VAT 201 is raised and submitted to SARS which is VAT payable.

VAT	25 820 959	9 652 186	25 113 016
VAT Control			
VAT Input Accrual			
VAT Output Accrual	(7 460 474)		-
	28 012 671		25 113 016

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	19 494	13 526
Bank balances	10 709 113	11 600 969
Other cash and cash equivalents	649 469	130 142 276
	11 378 076	141 756 771

UMKHANYAKUDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

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6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

	2014	2013
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Account number / description

Bank statement balances 30 June 2014 30 June 2013 30 June 2012 30 June 2014 30 June 2013 30 June 2012

Cash book balances 30 June 2014 30 June 2013 30 June 2012

ABSA BANK - Mkuze Branch	6 845 143	154 281	6 845 143	154 281	23 100 171
Account Number : 4053107423					
First National Bank - Mkuze	2 747 271	10 432 174	2 747 271	10 432 174	27 402 772
Branch Account Number :					
62026865321					
First National Bank - Mkuze	539 141	520 440	539 141	520 440	505 714
Branch Account Number :					
62092993809					
First National Bank - Mkuze	84 366	82 207	84 366	82 207	81 043
Branch Account Number :					
62027696478					
Nedbank Fixed Deposit - Branch	-	96 627 046	-	96 627 046	-
Account Number 7881085762					
Ithala Bank - Mkuze Branch	480 047	411 844	480 047	411 844	324 453
Account Number - 23247671					
ABSA BANK - Call Account	380 805	346 989	380 805	346 989	-
Number : 91-1531-5268					
First National Bank - Call	240 848	2 879 352	240 848	2 879 352	-
Account Number :					
62309788498					
FNB Business Fixed Maturity -	-	30 261 370	-	30 261 370	-
74298426031					
FNB Money Market Transactor -	27 816	27 542	27 816	27 542	27 270
62263733258					
Call Investments	-	-	-	-	26 049 520
Total	11 345 437	141 743 245	11 345 437	141 743 245	77 490 843

7. Property, plant and equipment

	2014	2013
Cost / Accumulated depreciation and impairment	Valuation	Cost / Accumulated depreciation and impairment
Land	1 157 250	1 157 250
Buildings	35 875 018	26 981 903
Infrastructure	748 837 733	667 936 101
Other property, plant and equipment	37 190 141	22 475 008
Assets Under Construction	755 422 685	509 882 714
Leased Assets	1 737 323	1 022 645
Total	1 580 220 150	1 580 220 150

Fixed assets register is held at the municipal premises (refer to Appendix B for more detail on property, plant and equipment). During 2013/14 financial year, the following assets were not found during the physical verification exercise which were subsequently written-off and removed from our fixed assets register and property, plant and equipment:

UMKHANYAKUDE DISTRICT MUNICIPALITY

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2014	2013
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7. Property, plant and equipment (continued)

Infrastructure Assets	1 410 221	-
Movable	403 801	-
	<u>1 814 022</u>	<u>-</u>

There is a Council Resolution in this regard.

During physical verification of fixed assets exercised for 2013/14 financial year, movable and immovable assets amounted to R5 310 405.16 were discovered on site and included in the fixed assets register and property, plant and equipment at fair value by Council Resolution. Subsequently, the fair value adjustment was processed as income in the Statement of Financial Performance.

Change in Accounting Estimate

GRAP 17: Property, Plant and Equipment requires that the review of the remaining useful life of an item of property, plant and equipment to be conducted at least each financial year end. Such review has been completed and the following results were achieved:

Based on the condition assessment carried out during the physical verification, the remaining useful lives of 14 237 assets were adjusted in accordance with the "Local Government Capital Asset Management Guideline" as issued by National Treasury.

The impact of the adjustment is that depreciation charges on Property, Plant and Equipment for the 2014 financial period has increased by R5,268,449.25 from R20,508,004.00 to R25,776,453.26, should circumstances remain unchanged, the effect on future period's depreciation will be an estimated increase of R5,268,449.25 per annum.

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7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Newly identified assets at fair value	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	-	-	-	1 157 250
Buildings	28 384 113	-	-	(2 574)	-	(1 351 927)	(47 709)	26 981 903
Infrastructure	681 742 840	-	-	(730 943)	9 647 734	(20 680 219)	(2 043 311)	667 986 101
Other property, plant and equipment	20 062 484	4 805 166	1 239 371	1 292	-	(3 490 058)	(143 247)	22 475 008
Assets Under Construction	509 882 714	255 187 705	-	-	(9 647 734)	-	-	755 422 685
Leased Assets	337 158	1 042 916	-	(103 179)	-	(254 250)	-	1 022 645
	1 241 566 559	261 035 787	1 239 371	(835 404)	-	(25 776 454)	(2 234 267)	1 474 995 592

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Impairment loss	Total
Land	1 157 250	-	-	-	1 157 250
Buildings	29 636 324	-	(1 252 211)	-	28 384 113
Infrastructure	697 022 738	1 166 986	(15 259 144)	(1 187 740)	681 742 840
Other property, plant and equipment	8 537 294	14 578 742	(2 361 681)	(691 871)	20 062 484
Assets Under Construction	333 722 180	176 160 534	-	-	509 882 714
Leased Assets	593 229	-	(256 071)	-	337 158
	1 070 669 015	191 906 262	(19 129 107)	(1 879 611)	1 241 566 559

UMKHANYAKUDE DISTRICT MUNICIPALITY

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2014	2013
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8. Intangible assets

2014	2013
Cost / Valuation	Cost / Valuation
Accumulated amortisation	Accumulated amortisation
and impairment	and impairment
Computer software	Computer software
434 957	(107 600)
327 357	37 434
(7 808)	29 626

Reconciliation of intangible assets - 2014

Computer software	Opening balance	Additions	Amortisation	Total
	29 626	397 523	(99 792)	327 357

Reconciliation of intangible assets - 2013

Computer software	Opening balance	Amortisation	Total
	37 108	(7 482)	29 626

9. Other financial liabilities

At amortised cost	5 405 788	431 638
Other financial liabilities		
Debtors Prepayments		
Terms and conditions		
Other Accruals		
Total other financial liabilities	3 844 677	9 682 103
Current liabilities		
Other Financial Liabilities		
Total other financial liabilities	9 682 103	1 787 596

10. Trade and other payables from exchange transactions

Trade creditors	86 088 837	29 094 585
Accrued expenses	192 803	34 396 298
13th Cheque Accrual	2 371 083	3 944 436
Leave Pay Accrual	10 065 916	7 568 148
Retentions	23 175 868	-
Total creditors	121 894 507	75 003 467

The fair value of trade and other payables approximate their carrying amounts.

11. Consumer deposits

Electricity and Water	1 844 883	1 350 634
Unallocated Deposits	17 163	1 148 032
Total consumer deposits	1 862 046	2 498 666

UMKHANYAKUDE DISTRICT MUNICIPALITY

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12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	
Bazarent River Water Purification Grant	-
Capacity Building: Asset Management	-
Corridor Development	-
Corridor Development	-
Councillors Training	11 300
Debt Collection Grant	-
Disaster Management	-
Environmental Management Grant	405 600
Expanded Public Works Programme (EPWP)	2 164 094
Growth and Development Summit	-
Ingwavuma	101 506
Inter-governmental Relations Implementation Grant (IRIG)	-
Kwadapha	578 891
KwaJobe-Cezwana Water Purification Grant	-
KwaJobe-Mongowozza Water Purification Grant	-
Kwazibul National Lottery	122 667
Kwazibul Water Purification Grant	-
Lake Tete	267 001
Mabibul National Lottery	166 667
Massification Grant	4 172 492
MIG Reserves	-
Mituba Bulk Water Supply	-
Mituba Water Conservation and Demand Management	-
Municipal Government Administration	-
Municipal Water Infrastructure Grant	-
Mogobela National Lottery	1 562 845
Ndumo Groundnuts	166 666
Ndumo Learners Shelter	749 347
Ndumo Community HIV Centre	2 000 000
Other	19 473 262
PIMMS/ NDT Operational	303 670
Public Participation Customer Satisfaction Survey	300
Umkhombi Tours	254 290
Umqobokazi Sportfield	303 670
Waste Management	908 680
Unspent conditional grants and receipts	21 851 008
Unspent conditional grants and receipts	77 201 965

Cash backing of 2013/14 conditional grants

Grant funds used for other purposes:

Kwadapha	578 891
Lake Tete	267 001
Nyezi Community HIV Centre	303 750
Umkhombi	908 690
Retentions raised during the year	8 538 474
	10 596 806

During the financial year ended 30 June 2014, the municipality had retentions amounting to R8 538 473.79 which will be settled in the next year when they are due.

Grants valued at R2 058 152 disclosed above were not used for intended purposes in the previous years and an investigation is in progress and the findings will be tabled to Council.

UMKHANYAKUDE DISTRICT MUNICIPALITY

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2014 2013

13. Non - current provisions

Reconciliation of non - current provisions - 2014

Opening Balance	Additions	Reversed during the year	Total
210 326	-	(101 313)	109 013
3 259 674	1 030 639	(210 326)	4 079 987
3 470 000	1 030 639	(311 639)	4 189 000

Transfer to Current Portion of Long Service Award

Provision for long service awards

Reconciliation of non - current provisions - 2013

Opening Balance	Additions	Total
-	210 326	210 326
1 724 000	1 535 674	3 259 674
1 724 000	1 746 000	3 470 000

Transfer to Current Portion of Long Service Award

Non-Current Provision for long service awards

Long Service Awards

The municipality carries out a statutory valuation on an annual basis. ZACEN Actuaries (Pty) Ltd performed an actuarial valuation of the liability in respect of the long service awards for the financial year ended 30 June 2014. The previous valuation was conducted by One Pangaea Financial as at 30 June 2013. The principal actuarial assumptions were used as follows:

Long Service Awards Liabilities

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Completed Years of Service	Award (% of Annual Salary)	Formula used to calculate Total Long Service Benefit
10	4%	(10/250)*Annual Salary
15	8%	(20/250)*Annual Salary
20,25,30,35,40 and 45	12%	(30/250)*Annual Salary

Valuation Assumptions - Key Financial Variables

Discount rate per annum	7.96%	7.25%
General inflation	6.33%	6.25%
Salary inflation	7.33%	7.15%
Real rate	0.59%	0.09%
Examples of mortality rates used were as follows:		
Average retirement age	63	63
Mortality during employment	SA 85-90	SA 85-90
Members withdrawn from services: (Average for males and females)		
Age 20 - 24	20%	16.5%
Age 25 - 29	15%	6.6%
Age 30 - 34	12.5%	5.1%
Age 35 - 39	9%	3.6%
Age 40 - 44	6%	2.6%
Age 45 - 49	4%	1.8%
Age 50 - 54	2%	1.1%
Age 55 - 59	1%	0%
Age 60+	0%	0%

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2014 2013

13. Non - current provisions (continued)

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations	4 189 000	3 470 000
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	4 189 000	3 470 000

Movements in the defined benefit obligation is as follows:

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

Balance at beginning of the year	3 470 000	1 724 000
Current service & interest cost	846 000	423 000
Benefit payments	(210 326)	(64 000)
Actuarial (gains)/losses	83 326	1 387 000
Balance at end of year	4 189 000	3 470 000

In conclusion:

If we assume that the long service award benefit policy of the Municipality remains unchanged over the next 36 months, a projection of the Municipality's unfunded accrued liability and future service cost can be seen as follows:

Statement of Financial Position obligation for:

Long Service Award	4 189 000	3 470 000
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Statement of Financial performance obligation for:

Long Service Award (Loss/ Gain)	83 326	1 387 000
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14. Non - current borrowings

DBSA Loans
Opening Balance
Amount Due
Amount Paid

10 553 559	713 756	10 553 559
(1 529 567)	(1 529 567)	(1 529 567)
10 553 559	713 756	10 553 559

Statement of Financial Performance
Non-current portion of borrowings
Current portion of borrowings

9 737 748	1 557 241	9 737 748
8 180 507	821 476	8 180 507
10 553 559	821 476	10 553 559

The loans from Development Bank South Africa are subject to interest at the average rate of 6.75% and are repayable over an average period of 13 years.

UMKHANYAKUDE DISTRICT MUNICIPALITY

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2014	2013	2014	2013
15. Non-current finance lease liability			
2014	Within one year	521 412	(62 580)
	Within two to five years	448 753	(23 560)
		<u>970 165</u>	<u>(86 140)</u>
2013	Minimum lease payments		
	Future Finance Charges		
	Present Value of minimum lease payments		
2014	Within one year	263 052	(42 822)
	Within two to five years	183 748	(10 977)
		<u>446 800</u>	<u>(53 799)</u>
16. Service charges			
2014	Sale of electricity	5 669 415	4 398 483
	Sale of water	38 646 758	36 454 062
	Sewerage and sanitation charges	1 257 014	1 087 414
2013	Total Services Charges	<u>43 573 187</u>	<u>41 939 959</u>

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2014	2013
17. Government grants and subsidies	
Operating grants	
Equitable share	
Other Grants	
Capital grants	
MIG	
514 225 333	450 554 429
233 214 362	236 303 803
233 214 362	236 303 803
281 010 971	214 250 626
193 756 000	174 928 000
87 254 971	39 322 626
Public Participation & Customer Satisfaction Survey	
Balance unspent at beginning of year	-
Current-year receipts	-
Conditions met - transferred to revenue	-
750 000	-
750 000	-
PIMMS / NDT Operational	
Balance unspent at beginning of year	(300)
Current-year receipts	-
Conditions met - transferred to revenue	-
(300)	(300)
FMG	
Current-year receipts	(1 250 000)
Conditions met - transferred to revenue	1 250 000
-	-
Capacity Building: Asset Management	
Balance unspent at beginning of year	(153 813)
Current-year receipts	-
Conditions met - transferred to revenue	153 813
-	284 215
(153 813)	(153 813)
Massification Grant	
Balance unspent at beginning of year	(18 043 888)
Current-year receipts	-
Conditions met - transferred to revenue	13 871 396
(17 127 000)	16 831 112
(17 748 000)	(18 043 888)
Debt Management Grant	
Balance unspent at beginning of year	(420 908)
Conditions met - transferred to revenue	420 908
-	(420 908)
(420 908)	(420 908)
Umqobokazi	

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2014	2013
17. Government grants and subsidies (continued)	
Balance unpaid at beginning of year	258 244
Current-year receipts	-
Conditions met - transferred to revenue	(258 244)
Kwazibini National Lottery	
Balance unpaid at beginning of year	(122 667)
Current-year receipts	-
Conditions met - transferred to revenue	44 000
Mqobela National Lottery	
Balance unpaid at beginning of year	(166 666)
Current-year receipts	-
Conditions met - transferred to revenue	(166 666)
Mabibi National Lottery	
Balance unpaid at beginning of year	(166 667)
Current-year receipts	-
Conditions met - transferred to revenue	(166 667)
Mutha Water Conservation and Demand Management	
Balance unpaid at beginning of year	(524 309)
Current-year receipts	-
Conditions met - transferred to revenue	524 309
Kwazibini Water Purification	
Balance unpaid at beginning of year	(915 000)
Current-year receipts	-
Conditions met - transferred to revenue	915 000
KwaJobe Cezwane Water Purification	
Balance unpaid at beginning of year	(787 880)
Current-year receipts	-
Conditions met - transferred to revenue	787 880
KwaJobe Nongowozwa Water Purification	
Balance unpaid at beginning of year	(915 000)
Current-year receipts	-
Conditions met - transferred to revenue	915 000

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17. Government grants and subsidies (continued)

Bazareni River Water Purification	
Balance unspent at beginning of year	(756 400)
Current-year receipts	-
Conditions met - transferred to revenue	756 400
	(756 400)
Disaster Management	
Balance unspent at beginning of year	(4 790 878)
Current-year receipts	-
Expenditure claimed in accordance with grant conditions	4 790 878
	(4 790 878)
Growth and Development Summit Grant	
Balance unspent at beginning of year	(100 000)
Current-year receipts	-
Conditions met - transferred to revenue	458 944
	(458 944)
Corridor Development	
Balance unspent at beginning of year	(269 717)
Current-year receipts	-
Conditions met - transferred to revenue	269 717
	(269 717)
MSIG	
Balance unspent at beginning of year	-
Current-year receipts	(890 000)
Conditions met - transferred to revenue	890 000
Unspent portion forfeited by National Treasury	-
	(189 771)
Intergovernmental Relations Implementation Grant	
Balance unspent at beginning of year	(917 000)
Current-year receipts	-
Conditions met - transferred to revenue	77 520
	(917 000)
Ndumo Groundnuts	
Balance unspent at beginning of year	(2 000 000)
Current-year receipts	-
Conditions met - transferred to revenue	839 480
	(77 520)
Expanded Public Works Programme (EPWP)	
Balance unspent at beginning of year	(2 000 000)
Current-year receipts	-
Conditions met - transferred to revenue	1 250 653
	(749 347)

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2014	2013
17. Government grants and subsidies (continued)	
Balance unpaid at beginning of year	(82 094)
Current-year receipts	(1 000 000)
Conditions met - transferred to revenue	(1 082 000)
	<u>(1 164 094)</u>
Lake Tete	
Balance unpaid at beginning of year	(267 001)
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>(267 001)</u>
Kwadapha	
Balance unpaid at beginning of year	(578 891)
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>(578 891)</u>
Nyezi Community Hiv Centre	
Balance unpaid at beginning of year	(303 570)
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>(303 570)</u>
Umkhombe Tours	
Balance unpaid at beginning of year	(908 690)
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>(908 690)</u>
Waste Management Grant	
Balance unpaid at beginning of year	(145 565)
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>(145 565)</u>
Environmental Management Grant	
Balance unpaid at beginning of year	(800 268)
Current-year receipts	-
Conditions met - transferred to revenue	-
	<u>(800 268)</u>
Rural Transport Infrastructure and System Grant	
Balance unpaid at beginning of year	-
Current-year receipts	(2 101 000)
Conditions met - transferred to revenue	2 100 709
Unspent portion forfeited by National Treasury	-
	<u>(1 687 000)</u>
	<u>(1 687 000)</u>

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	2014	2013
17. Government grants and subsidies (continued)		
Municipal Government Administration		
Balance unspent at beginning of year	(800 000)	-
Current-year receipts	-	(800 000)
Conditions met - transferred to revenue	-	-
Amount recalled by National Treasury	800 000	-
Ndumo Learners Shelter		
Balance unspent at beginning of year	(19 473 271)	-
Current-year receipts	-	(35 000 000)
Conditions met - transferred to revenue	10 453 845	15 526 729
MIG Grant		
Balance unspent at beginning of year	(17 917 372)	(27 448 175)
Current-year receipts	(215 297 000)	(226 773 000)
Conditions met - transferred to revenue	233 214 372	236 303 803
Councillors Training		
Balance unspent at beginning of year	(200 000)	-
Current-year receipts	-	(200 000)
Conditions met - transferred to revenue	188 700	-
Ingwavuma Prison Electrical Upgrade		
Balance unspent at beginning of year	(941 043)	(941 043)
Conditions met - transferred to revenue	839 537	-
Municipal Water Infrastructure Grant		
Current-year receipts	(27 074 001)	-
Conditions met - transferred to revenue	25 511 056	-
Mtuba Bulk Water Supply		
Balance unspent at beginning of year	(13 197)	(13 197)
Conditions met - transferred to revenue	13 197	-
Other Grants		
Balance unspent at beginning of year	(911 670)	(911 670)
Mbazwana Tusong Centre	(250 000)	-

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2014	2013
17. Government grants and subsidies (continued)	
Rural Households Infrastructure Grant	(4 000)
Conditions met - transferred to revenue	911 670
	(254 000)
	(911 670)
Total Conditional And Other Grants	
Balance unspent at beginning of year	(77 201 956)
Current-year receipts	(266 017 991)
Conditions met - transferred to revenue	320 568 945
Other Adjustment	800 000
	(21 851 002)
	(77 201 956)
Equitable Share	
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.	
18. Rental of facilities	
Rental of Buildings	106 871
	103 940
19. Interest Earned	
Investments	4 495 735
Other Bank Balances	2 212 984
	2 882 305
	12 524 641
20. Interest Earned - Outstanding Receivables	
Interest received - outstanding receivables	4 462 481
	1 538 146
21. Other Income	
Connection Fees	17 665
Fair Value Adjustment	1 239 371
Tender Sales	69 603
Other Income	708 892
	466 774
	679 842

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2014	2013
22. Employee related costs	
Employee related costs- Salaries and Wages	48 726 984
Contributions for UIF, pensions and medical aids	10 327 108
Travel, motor car, accommodation, subsistence and other allowances	6 534 667
Housing benefits and allowances	641 056
Overtime payments	2 671 157
Other employee related costs	1 637 277
	70 538 249
During the year under review salaries for employees were reviewed upwards through a Council Resolution due to disparities that were noted.	
Remuneration of Municipal Manager	
Annual Remuneration	917 343
Travel, motor car, accommodation, subsistence and other allowances	77 309
Contributions to UIF, Medical and Pension Funds	11 926
Backpay	-
Lumpsum Payout	75 899
	1 082 477
Mr PS Gwacela (former Acting Municipal Manager) received a lumpsum payout of R820 000.00. Mr S.N Dubazana earned R341 862.73 from July 2013 to October 2013. Mr M.S Dlamini was acting Municipal Manager for the period 01 October 2013 to 31 March 2014. Mr E.M Mzimela was appointed on 01 April 2014 and earned R284 328.38 and is the Municipal Manager.	
Remuneration of the Chief Finance Officer	
Annual Remuneration	449 832
Travel, motor car, accommodation, subsistence and other allowances	556 935
Contributions to UIF, Medical and Pension Funds	41 414
	1 048 181
	1 000 005

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2014	2013
22. Employee related costs (continued)	
Remuneration of General Manager - Corporate Services	
Annual Remuneration	490 376
Travel, motor car, accommodation, subsistence and other allowances	84 227
Contributions to UIF, Medical and Pension Funds	85 485
Leave Payout	150 577
Acting Allowance	136 121
Back Pay	-
Total	946 786
Remuneration of General Manager - Community Services	
Annual Remuneration	360 979
Travel, motor car, accommodation, subsistence and other allowances	97 083
Contributions to UIF, Medical and Pension Funds	8 296
Acting Allowance	59 102
Total	528 460
Remuneration of General Manager - Technical Services	
Annual Remuneration	300 181
Travel, motor car, accommodation, subsistence and other allowances	59 102
Contributions to UIF, Medical and Pension Funds	42 323
Acting Allowance	39 625
Leave payout	106 615
Backpay	-
Total	547 846
Remuneration of General Manager - Planning & Economic Development (formerly SED)	
Annual Remuneration	247 881
Leave Payout	9 195
Travel, motor car, accommodation, subsistence and other allowances	40 463
Contributions to UIF, Medical and Pension Funds	8 455
Acting Allowance	93 620
Total	399 614
23. Bad Debts	
Bad debts written off	21 105 575
-	-
24. Remuneration of councillors	
Mayor	512 400
Deputy Mayor	681 955
Speaker	717 283
Executive Committee Members	1 149 637
Councillors	1 774 939
Allowances	2 117 256
Total	6 953 470
Mayor	655 561
Deputy Mayor	714 257
Speaker	764 192
Executive Committee Members	1 581 374
Councillors	969 353
Allowances	1 559 054
Total	6 243 791

During the financial year long outstanding debtors amounting to R21 105 575 were written off after being tabled to Council for approval.

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24. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor and the Speaker are provided with offices and secretarial support at the cost of the Council.

All Councillors are re-imbursed for kilometres travelled on official duties with the exception of the Mayor.

The Deputy Mayor and other Executive Committee Members each have an office and share secretarial support at the cost of the Council.

Only the Mayor has the use of Council owned vehicle for official duties.

The Mayor has two full-time bodyguards and 1 relief bodyguard.

25. Depreciation and amortisation

Property, plant and equipment

28 109 220

21 016 200

26. Impairment loss/ Reversal of impairments

Provision For Bad Debts

15 371 559

34 953 792

27. Finance costs

Current borrowings

977 908

1 065 933

28. Repairs and Maintenance

Repairs and Maintenance

36 270 006

21 799 371

29. Bulk purchases

Electricity

27 593 001

19 428 214

Water

49 976 515

56 839 361

Total Bulk Purchases

77 569 516

76 267 575

30. Contracted services

Specialist Services

34 368 877

7 576 847

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31. General expenses

Audit Committee fees	83 495	105 097
Audit Fees	2 841 084	2 704 138
Accommodation	2 350 206	2 469 870
Advertising	-	379 199
Arts & Culture	451 026	756 285
Bank charges	555 717	464 313
Business Plans	-	3 869
Civic Receptions	-	78
Cleaning	271 057	145 878
Community development and training	914 056	1 071 467
Consulting and professional fees	6 857 617	6 710 713
Disability	488 014	448 729
Entertainment	421 125	467 931
Esticabazini Development Youth Academy	2 649 745	13 619 845
Internal Audit Fees	-	1 927 761
Fleet	-	72 950
Fuel and oil	786 084	2 078 818
Gender, Youth, Children & Senior Citizen	1 208 438	484 736
Grant Funded Expenditure	16 632 863	7 145 841
Hire of Plant & Equipment	23 005 327	14 441 592
HIV & AIDS Prevention	226 039	1 205 943
Business Development & Support	946 515	-
Insurance	-	137 608
Inter-Governmental Relations	1 139 925	-
Lease rentals on operating lease	-	1 719 365
Legal Fees	-	2 252 570
Levies	-	742 807
Licences	618 928	311 004
Mayoral Descretionary Fund	-	30
Medical expenses	67 683	35 051
Municipal Health	500 812	9 490
Nordale Extensions	-	1 253 775
Old Age Pensioners	-	161 507
Operation Turn Around	2 014 376	121 575
Other expenses	2 552 372	4 380 284
Postage and courier	4 160	2 593
Printing and stationery	326 769	181 328
Publicity	5 130 010	3 887 631
Purchase of books	-	3 730
Disaster Management	512 180	9 519 714
Small tools	65 938	109 267
Sports DC27	3 271 648	2 948 034
Systems Support	1 916 836	1 366 688
Telephone and fax	202 399	863 269
Team Building	91 248	756 823
Training	1 325 837	639 397
Uniforms	173 537	54 000
VIP Tolls	51 258 544	-
Water Analysis	-	5 000
Water Operations Subsidy	6 940 242	618 395
Tourism Projects	816 703	-
	139 618 456	88 786 088

Further disclosure was made for other expenses line note as a result the prior balances were restated.

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32. Cash generated from operations

Surplus	100 852 897	179 093 111
Adjustments for:		
Depreciation and amortisation	28 109 220	21 016 200
Interest income	(4 522 085)	-
Debt impairment	21 105 575	-
Movements in provisions	719 000	1 746 000
Other non-cash items	1 293	26 370 700
Changes in working capital:		
Capital Expenditure	(43 921 313)	(42 858 498)
Other receivables from exchange transactions	(20 639 251)	87 041 076
Other receivables from non-exchange transactions	49 657 633	10 768 742
Trade and other payables from exchange transactions	46 891 039	60 883 801
VAT Payable	(2 899 654)	7 357 990
Current portion of unspent conditional grants and receipts	(55 350 957)	(37 066 866)
Consumer deposits	(636 620)	1 602 935
	119 366 777	350 908 983

33. Correction of Errors

Correction of unallocated deposits amounting to R2 326 663. During the 2012/13 financial year the unallocated deposits account was not cleared and further investigation showed that they were previous years revenue that had not been accounted for therefore the accumulated surplus was adjusted to correct errors in the previous periods.

Correction of misallocations to the payroll suspense accounts amounting to R62 962. During the year 2012/13 financial year there was uncorrected payroll suspense/ accrual accounts which were reconciled and cleared during this financial year. There were errors noted that required us to adjust the prior years as they were misposts.

Correction of expenses duplicated on accrual amounting to R33 016 090. During the 2012/13 financial year audit, there were expenses noted by the auditors which were not accrued and an accrual of R 65 490 900.67 was done to correct. Upon reversal of accrual in 2013/14 financial an error was noted that of the amount accrued R 33 016 090.29 was already accrued in the previous year which resulted in a duplication of expenses in 2012/13 financial year.

Reversal of VAT accrual written off amounting to R5 154 945. During the 2012/13 financial year audit VAT accrued was written-off, however the municipality engaged a service provider to re-perform VAT returns and recover previous years VAT reclaimable understated from SARS. VAT amounting to R5 154 945 was refunded during the 2013/14 financial year by SARS and the VAT accrual previously written off in error had to be reversed to match the refund.

Correction of retention creditors misposted amounting to R16 169 060. During the 2012/13 financial year audit it was noted that retentions amounting to R16 169 060 were not posted in the correct accounting period, the error was correct and amount was restated.

Correction of payroll suspense accounts amounting to R45 165. During the year 2012/13 financial year there was uncorrected payroll suspense/ accrual accounts which were reconciled and cleared during this financial year. There were errors noted that required us to adjust the prior years as they were misposts.

Correction of VIP toilets amounting to R70 152 043 that were disclosed as the municipalities assets under construction. During the audit of property, plant and equipment (PPE) and from the sample selected it was noted that there were VIP toilets that were built by the municipality for the community and they were included in PPE as assets under construction. These toilets are built in the houses of the community and when they are completed they are used by the households therefore the municipality does not have control over these toilets after they are finished. The VIP toilets amounting to R70 152 043 were written off in the period they were incurred.

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33. Correction of Errors (continued)

The correction of the error(s) results in the adjustments to the 2012/13 final audited annual financial statements as follows:

Note(s)	2012/13 As previously reported	2012/13 Re- Classified	2012/13 Correction of error	2012/13 Restated
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Statement of financial position	52 207 448	-	-	-
Other receivables from non-exchange transactions	-	-	(45 165)	52 162 283
VAT receivable	19 958 071	-	5 154 945	25 113 016
Property, plant and equipment	1 311 718 602	-	(70 152 043)	1 241 566 559
Consumer deposits	(4 825 329)	-	2 326 663	(2 498 666)
Current Portion of Provisions	(3 470 000)	3 259 674	-	(210 326)
Other current financial liabilities	(18 038 171)	-	16 231 972	(1 806 199)
Trade And Other Payables From Exchange Transactions	(108 019 559)	-	33 016 091	(75 003 468)
Unspent conditional grants and receipts	(61 032 905)	-	(16 169 060)	(77 201 965)
Non-Current Portion of Provisions	-	(3 259 674)	-	(3 259 674)
Accumulated surplus	(1 376 295 430)	-	29 617 994	(1 346 677 436)
Statement of financial performance	-	-	-	-
Service Charges	41 921 356	-	18 603	41 939 959
Repairs and maintenance	(26 127 785)	-	4 328 414	(21 799 371)
Bulk Purchases	(95 481 766)	-	19 214 191	(76 267 575)
Contracted Services	(8 629 715)	-	1 052 868	(7 576 847)
General Expenses	(97 206 706)	-	8 420 617	(88 786 089)
	(373 321 889)	-	33 016 090	(340 306 799)

34. Unauthorised expenditure

Reconciliation of unauthorised expenditure
Opening balance
Unauthorised expenditure current year

18 797 268	51 343 601
18 797 268	32 546 333
-	-

Unauthorised expenditure was incurred as a result of over expenditure on the approved budget and will be taken into account in the 2014/15 adjustment budget per Council Resolution.

35. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure
Opening balance
Fruitless and wasteful expenditure current year

2 048 373	2 649 882
2 023 148	601 509
25 225	2 048 373

This expenditure incurred as a result of interest accrued due to late clearance of manual cheque payments. As corrective measure an electronic funds transfer (EFT) payment method has been introduced and is in operation.

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36. Irregular expenditure	
Reconciliation of irregular expenditure	
Opening Balance	343 938 509
Irregular Expenditure - incurred current year	248 608 307
Condoned or written off by Council	-
Transfer to receivables for recovery (not condoned)	-
Irregular expenditure awaiting condonment	592 546 816
	1 148 782 553

The irregular expenditure submitted for the 2013/14 financial year was incomplete as other transactions were identified by Auditor General and the irregular expenditure was updated accordingly. This expenditure incurred as a result of non-compliance with SCM procedures. They are under investigation by both Provincial Treasury and COGTA.

Service providers in the service of the state

During the preparation of 2013/14 financial statements, all service providers engaged were verified and checked whether they are in service of the state. It was discovered that the following expenditure was incurred for service providers who are in service if the state and was regarded as irregular expenditure.

Total Expenditure	55 395 173	13 091 192
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An award of R228,080 was made to employees in the service of the municipality. Mr MS Msane (Councillor) was awarded R196,080 through Lucky Five Construction cc and Miss NS Moleleke (Accountant: Budget & Reporting) was awarded R32,000 through Sthashe Construction and Trading.

An award of R23,750 was made to Uzoyisholo Wena Trading who is a spouse to a person in the service of the state (Ms S Mabuza - Secretary to the Executive Director: Planning)

Interests

An award to partners or associate of employees or councillors not declared and employees that did not declare their employee of the municipality) on PPN Building Construction and Services who was awarded R6 153,11 through Impumalelo Development Programme.

2. Mr M.E. Nxumalo (employee of the municipality) who is a business partner with Dokoela Jonathan Mthembu (employee of the municipality) on Maputland Community radio who was awarded R5 972 117,80 through Joma Holdings cc.

3. Mr M.E. Gumbi (employee of the municipality) who is a business partner with Raymond Senzo Gumbi (not employee of the municipality) on Isinwazi Coop Ltd who was awarded R156 400 through Izigi Zethu Trading.

4. Mr E.S. Mngoma (employee of the municipality) who is a business partner with Siyamihandanda Gugulethu Zungu (not employee of the municipality) on Sezesulwe Funeral Services who was awarded R267 000,00 through Gugulami Holdings (Pty) Ltd.

5. Mr M.E. Nxumalo (employee of the municipality) who is a business partner with Thandokuhle Dannie Mathenjwa (not employee of the municipality) on Maputland Community Radio who was awarded R781 763,76 through Nyala Development Solutions (Pty) Ltd.

6. Mr S.J. Vilane (councillor) who is a business partner with Gary Cason (not a councillor) on Umthombo Aqua Construction who was awarded R1 177 979,43 through Hydro Services and Fabrications cc.

7. Mr S.H. Nxumalo (councillor) who is a business partner with Magavini Samuel Gumede (not a councillor) on Men to Men Contractor who was awarded R33 000 through Lake Sibayi Community Services.

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37. Additional disclosure in terms of Municipal Finance Management Act

External & Internal Audit fees

Opening balance - external audit fees	129 280	46 578
Current year external audit fees	3 238 391	3 211 504
Amount paid - current year external audit fees	(3 238 391)	(3 128 802)
Amount paid - previous years external audit fees	(129 280)	-
	<u>129 280</u>	<u>129 280</u>

Opening balance - Internal audit fees

Current year internal audit fees	441 790	-
Amount paid - current year internal audit fees	(441 790)	-
Balance unpaid (included in payables)	-	-

Pension

Opening balance	823 846	-
Current year pension fees	10 989 359	4 810 950
Amount paid - current year	(10 447 153)	(3 987 104)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>1 366 052</u>	<u>823 846</u>

Medical Aid

Opening balance	356 102	-
Current year pension fees	3 043 384	2 214 032
Amount paid - current year	(2 960 437)	(1 857 930)
	<u>439 049</u>	<u>356 102</u>

PAYE

Opening balance	836 572	-
Current year PAYE	20 431 619	8 053 047
Amount paid - current year	(20 461 131)	(7 216 475)
Amount paid - previous years	-	-
	<u>807 060</u>	<u>836 572</u>

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37. Additional disclosure in terms of Municipal Finance Management Act (continued)

SALGA Fees

Current year SALGA fees	(1 039 426)
Amount paid - current year	601 440
	(601 440)

VAT

VAT output payables and VAT input receivables are shown in note 5. All VAT returns have been submitted by the due date throughout the year.

NON-COMPLIANCE WITH CHAPTER 11 OF THE MUNICIPAL FINANCE MANAGEMENT ACT:

Non-compliance with Supply Chain Management Procedures - There has been a material non-compliance with SCM procedures and hence irregular expenditure is disclosed above per note 35.

There were some service providers that were not paid within the stipulated 30 working days.

Non-compliance with MFMA Reporting Requirements:

The following MFMA returns have not been submitted on time to Provincial and National Treasury.

- Appendix B - Budget Returns i.e Asset Management.
- Signed copies of quarterly verifications for quarter 4.
- Mid-year Budget Performance Assessment.
- Not all of the required documents were updated on the National Treasury Website.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014		30 June 2013	
Outstanding less than 90 days	Outstanding more than 90 days	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R	R
Councillor Gumbi DL	10 514	Councillor Gumbi DL	8 412
Councillor Nyawo Z	17	Councillor Nyawo Z	17
Councillor Zungu MC	22 526	Councillor Zungu MC	20 859
Councillor Moodley GP	249 008	Councillor Moodley GP	91 586
Councillor Vilane SJ	119 771	Councillor Vilane SJ	120 874
Total	401 836	Total	401 836
30 June 2014		30 June 2013	
Outstanding less than 90 days	Outstanding more than 90 days	Outstanding less than 90 days	Outstanding more than 90 days
R	R	R	R
Councillor Gumbi DL	15 206	Councillor Gumbi DL	1 415
Councillor Nyawo Z	9 908	Councillor Nyawo Z	-
Councillor Zungu MC	5 298	Councillor Zungu MC	-
Councillor Moodley GP	114 473	Councillor Moodley GP	6 728
Councillor Vilane SJ	386 630	Councillor Vilane SJ	8 143
Total	401 836	Total	120 874

UMKHANYAKUDE DISTRICT MUNICIPALITY

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38. Capital Commitments

Commitments in respect of capital expenditure

Approved and contracted for

- Infrastructure
- Non-capital commitments

335 265 433	20 904 828
363 749 382	1 475 158
	<u>365 224 540</u>

Approved but not yet contracted for

- Infrastructure

73 543 318	-
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These commitments include commitments for outer years.

This expenditure was financed from:

Government Grants (MIG)
Government Grant (Equitable Share)

408 808 751	20 904 828
363 749 382	1 475 158

These commitments include commitments for outer years.

The municipality has commitments in which the following service providers were appointed without Rand values:

Rand Water, Nesliffe, Rural Pumps (Pvt) Ltd, Reniassance Joint Venture, Rennies Travel and Harvey World Travel.

39. IMPRACTICABILITY IN SUPPORTING COMPARATIVES

On 29 February 2012 the wing of finance department in the main offices of uMkhanyakude District Municipality were burnt which resulted in financial records being burnt down. In the previous years the municipality could not support some of the trade creditors/payables as follows:

Trade creditors that could not be supported in previous years	16 983 000	25 026 000
Less: Total creditors documents recovered during the year under review	(11 772 367)	(8 043 000)
Total creditors documents still outstanding	<u>5 210 633</u>	<u>16 983 000</u>

This issue is still under investigation by South African Police Service (SAPS).

UMKHANYAKUDE DISTRICT MUNICIPALITY

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40. CONTINGENCIES

Contingent Liabilities

Contingent Liability as a result of Wage Curve Agreement:

The job evaluation was not conducted by the Municipality as per Wage Curve Agreement and employees were not paid according to their skills hence there is a possibility that the Municipality might be owing its employees.

The Municipality had the following contingent liabilities as at 30 June 2014.

Source of Funding	Legal Fees	Amount
Armanzi Earthmoving (Pty) Ltd	100 000	1 624 253
DC27	75 000	200 000
DC27	46 608	-
DC27	6 391	246 463
DC27	-	1 361
DC27	-	20 000
DC27	-	30 000
DC27	227 999	2 122 077

41. Related parties

Relationships Umhlosinga Development Agency (100% Ownership)

Umhlosinga Development agency is a subsidiary wholly owned by Umkhanyakude District Municipality to spearhead the economic development within the district.

Transfers paid to Umhlosinga Development Agency
Expenses paid on behalf of Umhlosinga Development Agency:

8 330 842	2 618 724
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Disclosure of directors remuneration and councillors remuneration has been made in note(s) 22 & 24.]

42. Events after the reporting date

There was an event that occurred after the reporting date. A service provider appointed by the municipality requested for an escalation in the contract price as a result of transportation and offloading costs. No adjusting entries will be processed currently as the matter is still being handled by the municipality's attorneys (Shepstone & Wylie) and has not yet been resolved.

43. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Impairment of assets.

Provision for long service awards.

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43. Key Sources of Estimation Uncertainty and Judgements (continued)

Useful lives and residual values of property, plant, and equipment.

Water losses amounting to R36 209 490.36 and electricity losses amounting to R9 332 446.33.

44. Risk management

Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings from DBSA.

At year end, financial instruments exposed to interest rate risk were as follows:

FNB Bank Call deposits.

FNB Bank, Nedbank & ABSA Bank Notice deposits.

Loan from Development Bank of South Africa.

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they become due. The municipality ensures that adequate funds are available to meet its expected and unexpected financial commitments.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The following liabilities were due within 1 month:

Consumer Deposits R1 845 033 (2014) R2 498 666 (2013), Other current financial liabilities R3 826 791 (2014) R1 787 598 (2013) Trade and other payables from exchange transactions R123 438 532 (2014) R75 003 467 (2013).

The following liabilities were due from 1 month to 12 months:

Unspent Conditional Grants and Receipts R21 851 008 (2014) R77 201 965 (2013), Provision R109 013 (2014) R210 326 (2013), Borrowings R1 557 241 (2014) R821 476 (2013) and Finance Lease Liability R458 832 (2014) R220 230 (2013).

Maximum credit risk exposure

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The investments are diversified among the reputable commercial banks.

The consumer debtors are settled on a monthly basis. Upon the new connections the consumers paid deposit in advance.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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45. Water & Electricity Losses

Water Losses

The municipality incurred 84.61% water losses for the 2013/14 financial year 64.9% (2013). The value of the losses incurred amounted to R36 209 490.36(2014) R25 119 747.85 (2013).

The municipality incurred 56% electricity losses for the 2013/14 financial year 17.44% (2013). The value of the losses incurred amounted to R9 332 446.33 (2014) R3 388 280.52 (2013)

46. Accumulated surplus

Ring-fenced Internal funds and reserves within accumulated surplus - 2014

Accumulated	1 444 069 194
Surplus	3 804 788
Total	(1 447 873 982)(1 447 873 982)

Current year balance
Items under investigation

Ring-fenced Internal funds and reserves within accumulated surplus - 2013

Accumulated	1 342 872 649
Surplus	3 804 788
Total	1 346 677 437

Current year balance
Items under investigation

47. Revenue

Service charges
Rental of facilities and equipment
Interest received (trading)
Other income
Interest received - investment
Government grants & subsidies

43 573 187	514 225 333
41 939 959	450 554 429
103 940	
1 538 146	
679 842	
12 524 641	
2 035 531	
6 708 719	
571 112 122	
507 340 957	

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges
Rental of facilities and equipment
Interest received
Other income
Interest received - investment

43 573 187	56 886 789
41 939 959	56 786 528
103 940	
1 538 146	
679 842	
12 524 641	
2 035 531	
6 708 719	
56 886 789	
56 786 528	

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation Revenue
Grants Revenue
Government grants & subsidies

514 225 333	450 554 429
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UMKHANYAKUDE DISTRICT MUNICIPALITY

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48. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 1 447 530 320. The current liabilities exceeded its total assets by R15,11million; certain unspent conditional grants are not cashed back, and large increase in the provision for doubtful debts due to debtors not collectable or indigent debtors.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government continue funding for the ongoing operations for the municipality to restore the solvency of the municipality.

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Accumulated Depreciation Opening Balance	Impairment Opening Balance	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
Land and buildings														
Land (Separate for AFS purposes)	1 157 250	-	(3 225)	-	-	-	1 157 250	(7 484 131)	-	-	-	-	-	1 157 250
Buildings (Separate for AFS purposes)	35 878 244	-	(3 225)	-	-	-	35 878 019	(7 484 131)	-	651	(1 851 927)	(47 709)	(8 893 116)	28 687 503
	37 035 494	-	(3 225)	-	-	-	37 032 269	(7 484 131)	-	651	(1 351 927)	(47 709)	(8 893 116)	28 139 153
Infrastructure														
Electricity	12 429 970	-	-	-	-	-	12 429 970	(1 236 248)	-	-	(356 582)	(19 384)	(1 612 194)	10 817 778
Roads	31 228	-	-	-	-	-	31 228	(4 371)	-	-	(824)	-	(4 995)	26 234
Airport	4 973 863	-	-	-	-	-	4 973 863	(2 139 079)	-	-	(232 044)	-	(2 371 123)	2 602 780
Water	700 428 322	-	(583 001)	8 906 313	-	-	708 749 634	(52 752 351)	(22 095)	119 081	(19 484 721)	(1 848 159)	(74 002 234)	634 747 400
Sanitation	22 735 590	-	(823 935)	741 421	-	-	22 653 016	(1 594 385)	(1 165 645)	558 982	(596 247)	(174 790)	(2 911 085)	19 741 590
	740 598 594	-	(1 405 935)	9 647 734	-	-	748 637 732	(57 656 415)	(1 187 740)	676 053	(20 580 218)	(2 043 312)	(80 901 632)	667 936 100
Assets Under Construction														
Buildings	30 178 259	17 059 007	-	-	-	-	47 237 266	-	-	-	-	-	-	47 237 266
Electricity	5 625 081	851 462	-	-	-	-	6 476 513	-	-	-	-	-	-	6 476 513
Water	450 440 343	223 084 988	-	-	-	-	673 525 311	-	-	-	-	-	-	673 525 311
Sanitation	53 591 094	66 984 854	-	(9 647 734)	-	-	150 928 214	-	-	-	-	-	-	150 928 214
	680 034 757	307 990 281	-	(9 647 734)	-	-	978 377 304	-	-	-	-	-	-	978 377 304

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Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Accumulated Depreciation Opening Balance	Impairment Opening Balance	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
Leased Assets														
Leased Assets	887 714	1 042 818	(193 307)	-	-	-	1 737 323	(550 556)	-	-	(254 249)	90 128	(714 677)	1 022 646
	887 714	1 042 818	(193 307)	-	-	-	1 737 323	(550 556)	-	-	(254 249)	90 128	(714 677)	1 022 646
Other Assets														
Machinery and Equipment	14 632 481	41 141	(175 444)	-	158 317	-	14 674 475	(3 158 590)	(419 253)	88 572	(1 115 825)	(68 676)	(4 671 982)	10 002 513
Furniture and Office Equipment	3 652 785	1 454 130	(81 861)	-	50 293	-	5 075 347	(2 358 514)	(25 610)	59 576	(427 657)	(5 858)	(2 856 283)	2 117 084
Computer Equipment	2 428 596	359 688	(146 495)	-	86 684	-	2 698 470	(827 819)	(90 610)	100 541	(512 681)	(8 708)	(1 337 375)	1 361 095
Motor Vehicles	10 411 792	2 950 209	-	-	976 077	-	14 338 048	(3 837 827)	(189 807)	-	(1 433 898)	(80 705)	(5 499 035)	8 839 013
	31 145 604	4 805 165	(403 801)	-	1 239 371	-	36 786 340	(10 380 640)	(702 480)	248 689	(3 490 059)	(141 945)	(14 466 635)	22 319 705

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Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Accumulated Depreciation Opening Balance	Impairment Opening Balance	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
Total property plant and equipment														
Land and buildings	37 035 494	-	(3 225)	-	-	-	37 032 269	(7 494 131)	-	651	(1 351 627)	(47 709)	(8 893 116)	28 136 153
Infrastructure	740 596 894	-	(1 406 596)	9 647 734	-	-	748 837 732	(57 666 415)	(1 167 740)	676 053	(20 880 218)	(2 043 312)	(80 501 632)	667 936 100
Assets Under Construction	580 034 757	307 990 281	-	(9 647 734)	-	-	878 377 304	(550 556)	-	-	(254 249)	50 128	(714 677)	878 377 304
Leased Assets	867 714	1 042 516	(193 307)	-	-	-	1 737 323	(10 380 640)	(702 480)	248 459	(3 450 059)	(141 545)	(14 466 635)	1 022 646
Other Assets	31 145 604	4 805 186	(403 801)	-	1 239 371	-	36 786 340	(10 380 640)	(702 480)	-	-	-	(107 600)	22 319 705
	1 389 700 563	313 838 363	(2 007 329)	-	1 239 371	-	1 702 770 968	(76 091 742)	(1 890 220)	925 193	(25 776 453)	(2 142 838)	(104 976 060)	1 598 122 265
Agricultural/Biological assets														
Intangible assets														
Computers	37 434	397 523	-	-	-	-	434 957	(7 808)	-	-	(99 792)	-	(107 600)	327 357
	37 434	397 523	-	-	-	-	434 957	(7 808)	-	-	(99 792)	-	(107 600)	327 357
Investment properties														
Total														
Land and buildings	37 035 494	-	(3 225)	-	-	-	37 032 269	(7 494 131)	-	651	(1 351 627)	(47 709)	(8 893 116)	28 136 153
Infrastructure	740 596 894	-	(1 406 596)	9 647 734	-	-	748 837 732	(57 666 415)	(1 167 740)	676 053	(20 880 218)	(2 043 312)	(80 501 632)	667 936 100
Assets Under Construction	580 034 757	307 990 281	-	(9 647 734)	-	-	878 377 304	(550 556)	-	-	(254 249)	50 128	(714 677)	878 377 304
Leased Assets	867 714	1 042 516	(193 307)	-	-	-	1 737 323	(10 380 640)	(702 480)	248 459	(3 450 059)	(141 545)	(14 466 635)	1 022 646
Other Assets	31 145 604	4 805 186	(403 801)	-	1 239 371	-	36 786 340	(10 380 640)	(702 480)	-	-	-	(107 600)	22 319 705
Intangible assets	37 434	397 523	-	-	-	-	434 957	(7 808)	-	-	(99 792)	-	(107 600)	327 357
	1 389 737 917	314 435 886	(2 007 329)	-	1 239 371	-	1 703 205 925	(76 093 550)	(1 890 220)	925 193	(25 876 245)	(2 142 838)	(105 083 660)	1 598 122 265

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Analysis of property, plant and equipment as at 30 June 2013 Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Opening Balance - Impairment loss	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Land and buildings														
Land	1 157 250	-	-	-	-	-	1 157 250	-	-	-	-	-	-	1 157 250
Buildings	35 878 244	-	-	-	-	-	35 878 244	(8 241 920)	-	-	(1 252 211)	-	(7 494 131)	28 384 113
	37 035 494	-	-	-	-	-	37 035 494	(6 241 920)	-	-	(1 252 211)	-	(7 494 131)	29 541 353
Infrastructure														
Electricity	12 028 874	399 998	-	-	-	-	12 428 872	(923 836)	-	-	(312 610)	-	(1 236 248)	11 193 722
Roads	31 229	-	-	-	-	-	31 229	(3 747)	-	-	(524)	-	(4 371)	26 858
Airports	4 573 883	-	-	-	-	-	4 573 883	(1 890 994)	-	-	(248 085)	-	(2 139 079)	2 834 804
Water	899 847 337	578 985	-	-	-	-	1 478 832	(38 474 994)	-	-	(14 277 357)	-	(52 774 446)	647 851 576
Sanitation	22 547 585	188 005	-	-	-	-	22 735 590	(1 113 899)	-	-	(420 457)	(1 165 845)	(2 700 011)	20 035 579
	739 430 006	1 166 986	-	-	-	-	740 596 994	(42 407 272)	-	-	(16 259 143)	(1 167 740)	(58 854 155)	681 742 839
Assets Under Construction														
Buildings	18 494 724	11 883 538	-	-	-	-	30 378 262	-	-	-	-	-	-	30 378 262
Electricity	-	5 825 081	-	-	-	-	5 825 081	-	-	-	-	-	-	5 825 081
Water	284 319 321	189 121 022	-	-	-	-	450 440 343	-	-	-	-	-	-	450 440 343
Sanitation	50 808 135	42 682 959	-	-	-	-	93 591 094	-	-	-	-	-	-	93 591 094
	333 722 180	246 512 578	-	-	-	-	580 034 758	-	-	-	-	-	-	580 034 758

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Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Opening Balance - Impairment loss	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Leased Assets														
Leased Assets	887 714	-	-	-	-	-	887 714	(294 485)	-	-	(298 071)	-	(550 558)	337 158
	887 714	-	-	-	-	-	887 714	(294 485)	-	-	(298 071)	-	(550 558)	337 158
Other assets														
Motor vehicles	5 701 571	4 710 192	-	-	-	-	10 411 763	(3 088 317)	-	-	(788 311)	(168 807)	(4 004 435)	6 407 328
Plant & equipment	5 850 063	8 502 399	-	-	-	-	14 352 462	(2 321 416)	-	-	(835 164)	(419 253)	(3 575 833)	11 076 629
Computer Equipment	1 528 550	900 045	-	-	-	-	2 428 596	(492 329)	(2 645)	-	(335 591)	(87 985)	(918 521)	1 510 065
Furniture & Fittings	3 488 880	168 105	-	-	-	-	3 652 785	(2 138 898)	(7 983)	-	(421 618)	(17 847)	(2 584 324)	1 068 461
	16 566 864	14 579 742	-	-	-	-	31 145 606	(8 018 960)	(110 639)	-	(2 361 682)	(681 872)	(11 083 123)	20 062 483

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Analysis of property, plant and equipment as at 30 June 2013 Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Opening Balance - Impairment losses	Transfers	Depreciation	Impairment losses	Closing Balance	Carrying value
Total property, plant and equipment														
Land and buildings	37 035 494	-	-	-	-	-	37 035 494	(8 241 520)	-	-	(1 252 211)	-	(7 494 131)	28 541 363
Infrastructure	739 430 008	1 189 988	-	-	-	-	740 619 996	(42 407 272)	-	-	(15 259 143)	(1 187 740)	(58 854 155)	681 742 839
Assets Under Construction	333 722 180	245 312 578	-	-	-	-	580 034 758	(294 485)	-	-	(258 071)	-	(550 556)	580 034 758
Leased Assets	887 714	-	-	-	-	-	887 714	(2 018 980)	(10 609)	-	(2 361 682)	(691 872)	(11 083 123)	337 158
Other assets	18 586 864	14 578 742	-	-	-	-	31 145 606	(328)	-	-	(7 482)	-	(7 808)	20 052 483
	1 127 642 260	262 038 306	-	-	-	-	1 389 700 566	(56 962 637)	(10 609)	-	(19 129 107)	(1 879 612)	(77 981 965)	1 311 718 601
Intangible assets														
Computers - software	37 434	-	-	-	-	-	37 434	(326)	-	-	(7 482)	-	(7 808)	29 626
	37 434	-	-	-	-	-	37 434	(326)	-	-	(7 482)	-	(7 808)	29 626
Total														
Land and buildings	37 035 494	1 189 988	-	-	-	-	37 035 494	(8 241 520)	-	-	(1 252 211)	-	(7 494 131)	28 541 363
Infrastructure	739 430 008	245 312 578	-	-	-	-	740 619 996	(42 407 272)	-	-	(15 259 143)	(1 187 740)	(58 854 155)	681 742 839
Assets Under Construction	333 722 180	245 312 578	-	-	-	-	580 034 758	(294 485)	-	-	(258 071)	-	(550 556)	580 034 758
Leased Assets	887 714	-	-	-	-	-	887 714	(2 018 980)	(10 609)	-	(2 361 682)	(691 872)	(11 083 123)	337 158
Other assets	18 586 864	14 578 742	-	-	-	-	31 145 606	(328)	-	-	(7 482)	-	(7 808)	20 052 483
Intangible assets	37 434	-	-	-	-	-	37 434	(326)	-	-	(7 482)	-	(7 808)	29 626
	1 127 679 694	262 038 306	-	-	-	-	1 389 738 000	(56 962 637)	(10 609)	-	(19 136 589)	(1 879 612)	(77 989 773)	1 311 748 227